

SK Baseball LLC

# Principal Owners



Stuart Katzoff

Herb Simon

Jerry Katzoff

# Minor League Baseball

- ❑ Formed in 1901
- ❑ Currently there are 15 leagues with 176 teams that charge admission
- ❑ Minor League Baseball operates in 43 states and 1 Canadian Province
- ❑ Over 41 million fans attended Minor League Baseball games last season
- ❑ More than half of adult fans have a household income of at least \$75,000
- ❑ Almost half of adult fans have at least one child under the age of 18 living at home
- ❑ Minor League Baseball topped the NFL, NHL and NBA for total attendance in 2011





# Incentives to Relocate to Reno/Washoe County

- The incentives offered are what enticed us to move the team from Tucson to Reno. As is typical of all sports deals, in particular minor league, the public participates in and finances the venue and becomes responsible for much of the operating costs of the arena. Here we were offered the following:
  - \$30 million rental car tax issued by Washoe County
  - \$2.5 million of Tax Increment Financing (TIF) for 20 years
  - 65% of all sales tax generated by ballpark is rebated to the developer for 20 years
  - 65% of sales tax generated by baseball district is rebated to the developer for 20 years
  - Designation as Master Developer of downtown Reno, which awards the right of first refusal to acquire any agency or city properties in the Ballpark District that either entity intends to convey to a private party for redevelopment, as well as the right to approve development plans and restrictions for properties that the developer does not acquire to ensure compatibility.

# Baseball Project Investment in Reno/Washoe County

Expenditures	
Team Purchase	\$15,500,000
Land Purchase	\$9,000,000
Construction Cost of Stadium	\$58,000,000
Architectural/Legal/Soft Costs/Carry Costs	\$10,500,000
Freight House District	\$10,000,000
<b>TOTAL</b>	<b>\$103,000,000</b>

Source of Payment	
Rental Car Tax Bond	\$18,500,000**
Subordinated Debt: Herb Simon	\$11,000,000**
Deutsche Bank	\$55,000,000 financed for a 5 year term
Partner Equity	\$18,500,000
<b>TOTAL</b>	<b>\$103,000,000</b>

\*Audited configuration by the City of Reno

# What SK Baseball has Brought to the Region

- ❑ Economic Impact/Employment Generated since breaking ground in February 2008:
  - ❑ Approximately **275** construction workers on site per day during the construction of Aces Ballpark
  - ❑ More than **1,000** unique workers held jobs on the Aces Ballpark construction site
  - ❑ Baseball construction project created approximately **825,000** man hours of labor
  - ❑ The Aces front office staff is comprised of more than **50** full-time employees
  - ❑ The Aces hire more than **200** gameday employees each season for 73 home games
  - ❑ The Aces Ballpark concessionaire hires more than **175** employees each season
  - ❑ The Freight House District hires around **100** employees during peak season
  - ❑ \$25.5 million in residual revenue generated each season (economic impact study done by University of Nevada)
  - ❑ The Aces have had 4 successful seasons totaling 1,785,957 in attendance and generated over \$36 million of revenue that has been distributed throughout the community
  - ❑ 2011 Pacific North Division Champions
  - ❑ 2012 Triple-A National Champions giving national exposure to the region
  - ❑ Reno will host the 2013 Triple-A All-Star Game

- ❑ Rejuvenation of a neglected part of the city that has changed the face of downtown
- ❑ Affordable family entertainment
- ❑ Visitors who also spend money – e.g. All-Star Game, league meetings, over 400,000 people who attended games this past season and visited downtown Reno
- ❑ Indirect impact – employees mentioned above who pay property taxes and spend money in the city and county
- ❑ The team has become a committed and involved corporate citizen in the community donating continuously through The Aces Foundation to local non-profit organizations, charities, families and individuals
  - ❑ Some contributions are as follows:
    - ❑ Over \$235,000 in monetary and in-kind donations to the region
    - ❑ 20,000 toys donated to local non-profit organizations
    - ❑ Brett's Big Leaguer program
    - ❑ Reno Aces Foundation Dream Week



# Aces Ballpark

## ❑ Aces Ballpark

- ❑ Cutting-edge stadium with seating for 9,013 built in 9 months
- ❑ 72-game home schedule

## ❑ Construction partners

- ❑ Architect: HNTB Corporation
- ❑ General Contractor: Devcon Construction, Inc.

## ❑ Inaugural game

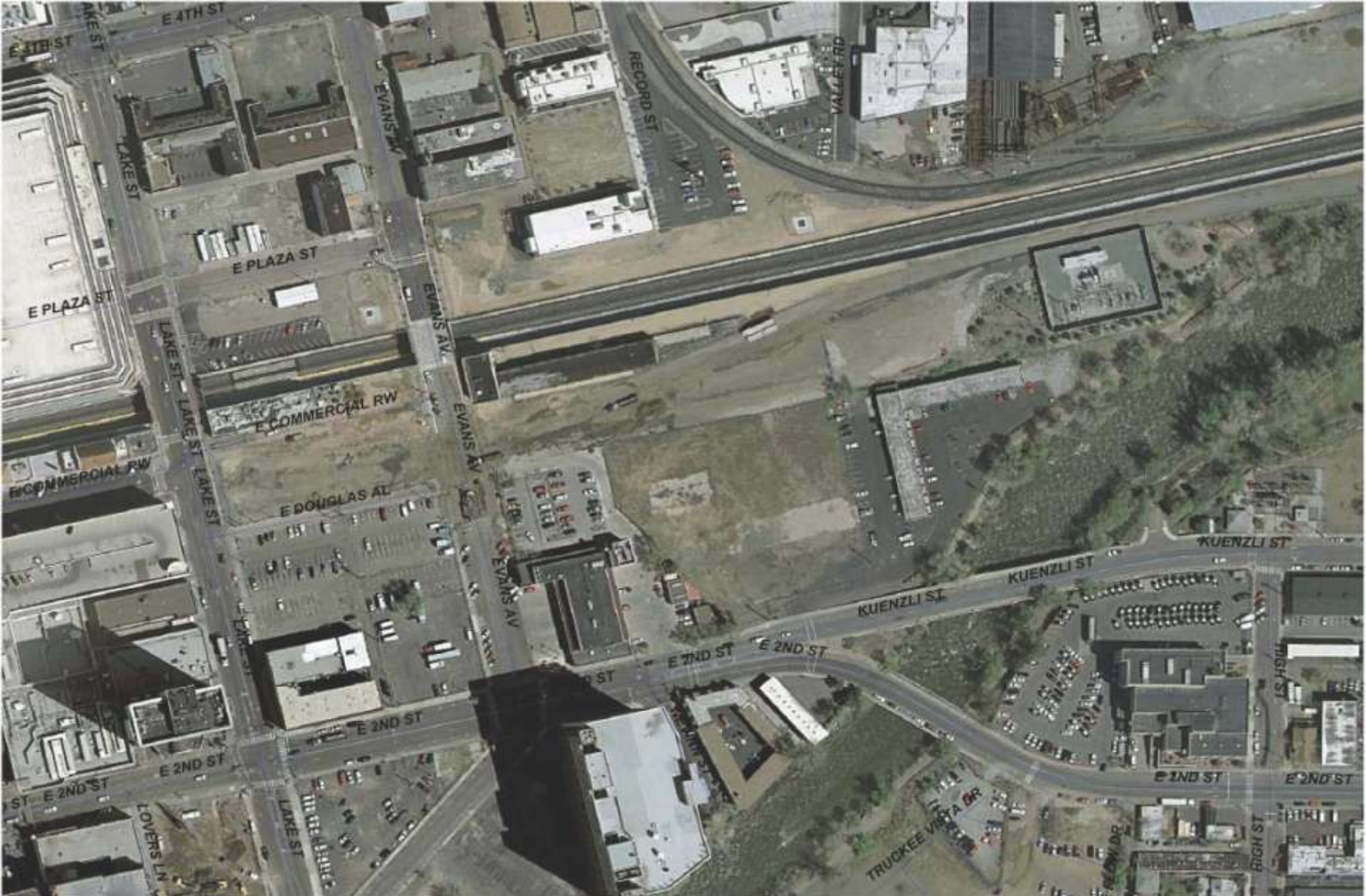
- ❑ April 17, 2009, Reno Aces vs. Salt Lake Bees; 9,167 in attendance

## ❑ Seating

- ❑ 6,500 fixed seats
- ❑ Outfield lawn seating
- ❑ 21 luxury suites

## ❑ Special features

- ❑ 360° walking concourse
- ❑ 31'x18' Daktronics scoreboard



**FREIGHT HOUSE**  
*District*

*Before Aces Ballpark*





FREIGHT HOUSE  
*District*

*After Opening Night*





**RENO**  
*Aces*

*Inaugural Game '09*





RENO  
Aces





**FREIGHT HOUSE**  
*District*



**ARROYO**  
MEXICAN GRILL

**BUGSY'S**  
SPORTS BAR & GRILL

**Duffy's**  
ALE HOUSE

# The Freight House District



- ▣ The Freight House District Operations

- ▣ The FHD opened in 2010 and houses 3 restaurants/bars and 1 exclusive bar
  - ▣ The FHD is open year around and available for concerts, special events, and banquets





**FREIGHT HOUSE**  
*District*



**BUGSY'S**  
SPORTS BAR & GRILL

*Duffy's*  
ALE HOUSE





**FREIGHT HOUSE**  
*District*



**BUGSY'S**  
SPORTS BAR & GRILL

*Duffy's*  
ALE HOUSE





**FREIGHT HOUSE**  
*District*



# How the Financing Works

## ❑ Rental Car Tax

- ❑ A \$30 million bond was issued through a rental car tax of 2% on all cars rented by non Nevada residents.

## ❑ Tax Increment Financing (TIF)

- ❑ \$2.5 million of Tax Increment Financing (TIF) for 20 years
- ❑ TIF is the incremental revenue created above the base year established prior to baseball being developed.
- ❑ TIF can be bonded once a trend is established and allows the developer to bond against the base tax amount generated prior to increases in generated taxes due to the new development.

## ❑ Sales Tax Anticipated Revenue Bonds (STAR Bonds)

- ❑ Sales tax rebate of 65% of the sales tax generated by the ballpark and new businesses developed in the newly created baseball district.
- ❑ STAR Bonds can be issued once a trend is established and allows the developer to bond against the anticipated sales tax generated by the new development.

## ❑ The initial plan was to bond against the TIF and Star Bonds and pay off the \$55 million of short-term bank debt

## ❑ This was the model Reno used to interest the league and the owners into moving a franchise to the city. Two significant problems undermined the original understanding:

- ❑ The collapse of the national and state economy wiped out all of the revenues the RDA planned to use to finance the stadium
- ❑ Substantial assessment errors in calculating property taxes in the Tax Increment District further reduced the capacity of the RDA to fulfill its plan

# Open Issues

## ❑ Real Estate Taxes

- ❑ The team has questioned the County Assessor on the assessed value of the stadium and are in the process of exhausting all legal avenues available in this regard. Once these avenues are fully exhausted, the team will pay its appropriate real estate tax liability.


## ❑ Debt Service Reserve

- ❑ As part of the original agreement the county has advanced \$750,000 in a debt service reserve account for the benefit of the team which will be reimbursed out of the proceeds of the bonds. This has not been paid because we have not received any of the TIF payments as anticipated in the original deal.



# Why Are We Here Today?

- ❑ We have borrowed \$55 million from Deutsche Bank on a 5 year term which comes due in December 2013.
- ❑ Because of economic conditions and a variety of circumstances involving the RDA we have not received any of the yearly \$2.5 million of TIF funds and have been unable to bond and pay off this \$55 million of debt as planned.
- ❑ The baseball team business is a small business that cannot maintain debt of this kind. Therefore the debt must be reduced.
- ❑ To solve the problem we are asking the City of Reno and Washoe County to contribute \$1.5 million to the newly formed Stadium Authority for the purpose of maintaining and operating the stadium.
- ❑ Additionally, the team will participate by paying an amount needed to service the bond payments. This amount is anticipated to exceed \$1 million. The team will also contribute all of the sales tax revenue it is entitled to support the bond payments. Currently the team's only obligation is a \$1 a year lease payment.
- ❑ The City of Reno is considering the approval of an annual appropriation of \$1 million per year for 30 years and we are requesting that Washoe County approve an annual appropriation of \$500,000 per year for 30 years. This will insure the longevity of baseball in Reno/Washoe County.

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- ❑ The city/county/team will also seek legislative approval to increase the Rental Car Tax subsidy in an effort to alleviate the need for the city/county/team payments necessary to operate and maintain the stadium.
  - ❑ We realize that there is opposition to using General Fund monies to support a redevelopment project, but baseball should no longer be considered a redevelopment project because of its success. It should be considered a viable community project that needs financial support to continue the long stream of benefits it provides to the city and county.
  - ❑ Without this General Fund public support the team will not be a financially viable enterprise.

